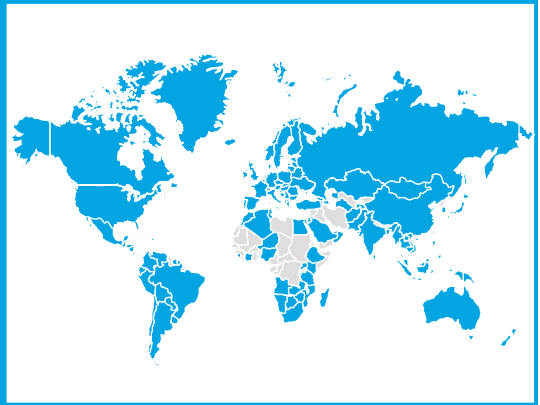


EXPATRIATES

Malawi

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

The Malawian tax system is sourced-based. Individuals, wherever resident, are subject to income tax on income derived from an actual or deemed Malawian source. Remuneration for services rendered in Malawi is taxable in Malawi regardless of where payment is made.

Taxation of expatriates

There is no special tax regime for expatriates. Expatriates are taxable on their Malawian source income irrespective of where payment is made. Expatriates may be exempt from tax under the terms applicable under double taxation agreements. The usual condition is that the expatriate should be in Malawi for less than 183 days in the tax year and payment is made offshore.

Every non-resident employer is required to appoint a local resident agent for P.A.Y.E purposes. Work permits for expatriate staff will only be granted on condition that the employer is registered for P.A.Y.E through a resident agent.

National Pension Scheme Contribution

A National Pension Scheme (NPS) managed by approved Pension Fund Administrators does operate in Malawi, and can also apply to expatriates. Only those expatriates on Temporary Employment Permit who can produce written evidence that they are on pension in their home country can be exempted.

Personal Income Tax Rates

Malawian employers are allowed to use the Graduated Tax Table system for their payroll tax. This system requires that the employer deducts the payroll tax accurately such that the individual employees do not have to submit income tax returns for their employment income to the tax authorities at the end of the year unless they have other sources of income.

The Taxation Act provides for the taxation of fringe benefits granted in the hands of the employer in respect of services rendered.

With regard to employment relationship, fringe benefit means any asset, service or other benefit in kind, provided by or on behalf of an employer to an employee, if such provision includes an element of personal benefit to the employee. All employers except the government are liable to Fringe Benefit Tax (FBT). FBT is taxed at 30% of the taxable value of the fringe benefits being provided.

Taxable income of the individual is computed after considering amounts exempt from income tax and deductions allowable in terms of the Taxation Act. While taxable income from employment is subject to tax at various rates, income from trade or investment is subject to tax at an effective rate of 30%.

Customs Duty

Expatriates working in Malawi temporarily or on a contract basis may import their personal effects into the country without any customs duty and VAT being levied. These include:-

- household effects and other movable articles,
- Equipment necessary for the exercise of a calling, trade or profession,
- television and hi-fi sets and
- general household appliances.

All of these items must be imported for their personal use only, and must be brought within a period of six months from the date of entry into Malawi. These goods may also not remain in Malawi on a permanent basis and must be returned overseas upon departure of the expatriate, unless the foreign national obtains permanent resident status or citizenship in Malawi during the period of stay.

An inventory of all imported personal belongings must be furnished, together with the work permit and submitted to the Malawi Revenue Authority for upfront approval. The goods will subsequently be cleared free of duties and VAT at the port of entry. This clearance is normally obtained by a shipping agent arranging the transfer of the assets and must be obtained prior to the goods arriving in Malawi.

Pets may not enter Malawi unless a permit has been issued by the Department of Agriculture. Should a foreign national wish to bring a private motor vehicle into Malawi for personal use, it is necessary to apply to the Malawi Revenue Authority for permission to import the vehicle. In such an event a concessionary customs duty rate and import VAT has to be paid before the vehicle is imported.

BREAKING RESIDENCY - EXIT PROCEDURES

Taxpayers who break Malawi residence status, are required to obtain a Tax Clearance Certificate before departure. This certificate is issued by the MRA when the tax position of the expatriate is satisfactory.

PENSION CONTRIBUTIONS

It is mandatory that every employer shall make provision for every person to be a member of the National Pension Scheme.

- Employer contribute 10% and employees 5% of the pensionable emolument.
- Employer may contribute the entire 15% to include 5% being member contribution if he so wishes subject to an allowable deduction of 15% for his tax purposes.

INCOME TAX RATES

Annual Taxable Income (MWK)	Rate	Cumulative Tax Chargeable (MWK)
Up to 420,000	0%	
From 420,000 to 480,000	15%	9,000
From 480,001 to 35,999,999	30%	10,655,999.40
Above 36,000,000	35%	10,664,999.40 + 35%

NOTE: All other allowances i.e. housing allowance, transport allowance, severance, food allowance, etc. should be grossed up with basic salary then tax using the above rates.

For further information and to register for future updates contact expat@bdo.global

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